

## Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 PA-02 PRS-01 USIA-15 AID-05 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10

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R 230931Z OCT 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 1707

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E. O. 11652: NA

TAGS: ALLOW, ECON, NI

SUBJ: SHARP RISE IN CONSUMER PRICES

REF : LAGOS 7982

1. SUMMARY: SPECIAL SURVEY OF LAGOS CONSUMER PRICES SHOWS 44 PERCENT RISE DURING EIGHT MONTH PERIOD ENDING JULY. FOOD PRICES ROSE 55 PERCENT DURING THAT TIME. RATE OF INCREASE HAS SLOWED MARKEDLY SINCE DEC-JAN-FEB PEAK PERIOD AND WORST MAY BE OVER. END SUMMARY.

2. TO MEASURE EFFECT OF UDOJI WAGE INCREASES ON CONSUMER PRICES, CENTRAL BANK (CBN) UNDERTOOK SPECIAL RETAIL PRICE SURVEY OF SELECTED CONSUMER ITEMS IN LAGOS FOR MONTHS DEC, 1974 THROUGH JULY, 1975. SURVEY COVERED MOST OF MAIN MARKETS AND IMPORTANT SUPERMARKETS IN GREATER LAGOS AREA. COMMODITIES COVERED WERE FOOD, BEVERAGES, TOBACCO, FUEL/LIGHT AND CLOTHING, EACH OF WHICH WAS GIVEN A WEIGHT IN THE ALL-ITEMS INDEX. RESULTS DIFFERED FROM REGULAR CONSUMER PRICE INDEX PUBLISHED MONTHLY BY CBN SINCE LATTER ALSO MEASURES CHANGES IN PRICE OF ACCOMMODATION, TRANSPORT, OTHER PURCHASES AND OTHER SERVICES AND IS COMPOSITE OF URBAN AREAS THROUGHOUT NIGERIA.

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EM RESULTS OF SURVEY MADE PUBLIC THIS WEEK (SEE TABLES

PARA 5) REVEAL A 43.7 PERCENT INCREASE IN THE ALL-ITEMS INDEX DURING THE EIGHT MONTH PERIOD. THE AVERAGE MONTHLY RISE IN PRICES WAS 5.5 PERCENT. FOOD (55.4 PERCENT) AND BEVERAGES (56.0 PERCENT) LED THE WAY, FOLLOWED BY CLOTHING (35.8 PERCENT) FUEL/LIGHT (24.9 PERCENT) AND TOBACCO (8.4 PERCENT.) WORST MONTHS FOR FOOD INCREASES WERE JANUARY (15.5 PERCENT) AND FEBRUARY (16.9 PERCENT) WHEN "UDOJI FEVER" PEAKED, AND SINCE FOOD WEIGHS HEAVIEST IN ALL-ITEMS INDEX LATTER TOO ROSE MOST SHARPLY IN THOSE TWO MONTHS. SINCE THEN FOOD PRICES HAVE RISEN MORE SLOWLY, EVEN FALLING EASING IN APRIL AND JUNE, BUT AVERAGE MONTHLY INCREASE IN FOOD PRICES WAS STILL (6.9 PERCENT.)

4. PRICES RECORDED DO NOT SHOW CONSISTENT RISES IN ALL CASES, SOMETIMES FLUCTUATING ABRUPTLY FROM MONTH TO MONTH. FOR EXAMPLE, PRICE OF FUEL/LIGHT DECLINED 19.9 PERCENT IN FEBRUARY BUT GAINED 48.2 PERCENT THE FOLLOWING MONTH. IN FIVE PAGES OF NARRATIVE, CBN SHED ALMOST NO LIGHT ON UNDERLYING CAUSES OF CONSUMER PRICE INFLATION. BANK DEVOTED ITS EFFORTS TO MONTH BY MONTH BREAKDOWN OF RISE OR FALL IN PRICES OF COMPONENT ITEMS OF THE FIVE CONSUMER GOODS GROUPS MEASURED. ONLY IN BRIEF CONCLUDING REMARKS WHICH ATTRIBUTED DECEMBER RISE TO TRADITIONAL HIGH SPENDING DURING HOLIDAYS AND ADDED THAT MODERATION EXPECTED IN NEW YEAR FAILED TO MATERIALIZE DUE TO EXPECTATIONS AND ACTUAL PAYMENTS OF UDOJI AWARDS DID CBN OFFER ANY EXPLANATION OF THIS PHENOMENAL RISE IN PRICES.

5. TABLE I - RETAIL PRICE INDEX

	FOOD	BEV	TOB	F/L	CLOTH	ALL
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DEC.	100.9	112.4	102.7	126.2	111.2	104.7
JAN.	116.5	113.0	109.0	141.1	107.9	115.9
FEB.	136.2	115.1	110.0	113.0	118.3	128.9
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MAR.	138.9	148.9	108.5	167.5	124.6	139.0
APR.	131.2	141.3	105.6	176.5	129.7	133.4
MAY	149.1	141.1	106.5	156.8	133.8	144.7
JUNE	147.3	143.8	109.3	124.0	133.2	142.8

JULY 155.4 156.0 108.4 124.9 135.8 143.7

TABLE II - MONTHLY CHANGES IN INDEX

DEC.	.9	12.4	2.7	26.2	11.2	4.7
JAN.	15.5	.5	6.2	11.8	3.0	10.7
FEB.	16.9	1.9	0.8	19.9	9.6	11.2
MAR.	2.0	29.4	1.4	48.2	5.3	8.6
APR.	5.5	5.4	2.7	5.3	4.1	4.2
MAY	13.6	1.4	0.9	11.2	3.2	8.5
JUNE	1.2	1.5	2.6	20.5	0.5	1.3
JULY	5.5	8.9	0.8	0.7	2.0	0.6
AVERAGE	6.9	0.0	1.0	3.1	4.5	5.5

6. COMMENT: THE CENTRAL BANK MAY NOT HAVE BOTHERED TO LIST CAUSES OF INFLATION IN THE BELIEF THAT EVERYONE COULD RECITE THEM BY HEART. THE LIST INCLUDES PORT CONGESTION, ADADEQUATE DOMESTIC PRODUCTION AND DISTRIBUTION SYSTEM, IMPORTED INFLATION, A HUGE INCREASE IN THE MONEY SUPPLY, AND, NOT LEAST, AN INFLATIONARY PSYCHOSIS WHICH LED MANY NIGERIAN SELLERS TO HIKE THEIR PRICES EVEN IF THEIR COSTS HAD NOT RISEN. THOSE SEEKING SILVER LINING MAY TAKE COMFORT FROM FACT THE WORST PROBABLY IS OVER. THE RISE IN THE FIRST THREE MONTHS OF THE UNCLASSIFIED

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PERIOD UNDER STUDY WAS 28.9 PERCENT, AND IN THE SECOND THREE MONTHS 15.8 PERCENT. IN THE LAST TWO MONTHS THE ALL-ITEMS APPEARED TO BE STABILIZING SOMEWHAT. THUS ALTHOUGH PRICES IN THE SPECIAL SURVEY ROSE AT AN ANNUAL RATE OF 65 PERCENT IN THE NOVEMBER-JULY PERIOD, RECENT MODERATING OF THE RATE OF INCREASE MEANS THE ANNUAL RATE MAY END UP NOT MUCH ABOVE 50 PERCENT. THE REGULAR MONTHLY INDEX (WHICH MEASURES MORE CONSUMER PRICES AND IS THUS A BETTER INDICATOR OF THE OVERALL INFLATION RATE) HAS RISEN MORE SLOWLY THAN THE SPECIAL INDEX BECAUSE PRICES OF ACCOMMODATION AND OTHER SERVICES HAVE NOT INCREASED AS FAST AS COMMODITIES IN THE SPECIAL INDEX. HOWEVER, THE DISTINCTION BETWEEN A 40 PERCENT INCREASE IN COSTS AND A 50 PERCENT INCREASE IS LIKELY TO BE SMALL COMFORT TO CONSUMERS.

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